



Original Equipment Suppliers Association

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For Immediate Release

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OESA Supplier Barometer Shows Growing Concern Over Tariffs and Trade

SOUTHFIELD, Mich. (December 7, 2018) – Despite sustained vehicle sales and production strength, a pessimistic supplier outlook persists due to trade policy impacts and uncertainty across the automotive supply base in Q4 2018. The OESA Automotive Supplier Barometer, a quarterly survey of executives at North American automotive suppliers on their 12-month outlook, posted a negative reading of 39 for the fourth quarter of 2018, eleven points below a neutral level of 50.

Supplier Barometer Index (SBI): Despite strong economic fundamentals including record low unemployment, near record high consumer confidence and strong vehicle demand, the SBI in Q4 2018 continues to reflect negative sentiment over the administration's trade policy agenda and poor sales of vehicle programs supplied. The latest OESA Supplier Barometer Index (SBI) reading dropped four points from the Q3 2018 result.

Concerns remain over supply chain risks, higher commodity prices, the impact of Section 232 and Section 301 tariffs, as well as policy and implementation uncertainty surrounding the new USMCA accord. Moreover, weak demand for passenger cars continues to negatively impact suppliers. Each element of uncertainty clouds the planning environment, causing automakers and suppliers to reassess, update and potentially disrupt business investment planning until greater clarity can be determined.

"Policy uncertainty and rising cost pressures can contribute to a chilling effect on additional business investment, serving to disrupt market momentum and increase volatility throughout the supply chain," said Mike Jackson, OESA's Executive Director of Strategy and Research and author of the study. "Suppliers are encouraged to actively mitigate risks while seeking opportunities to identify and leverage market imbalances."

Supplier executive responses reflect a net increase in pessimism over prior quarter survey results. Some 57 percent of responses from smaller, more regionally-focused suppliers, reflect increasing pessimism, one and a half times the rate compared to the prior quarter. Additionally, 57 percent of executive responses from larger suppliers, with revenue over \$1 billion, became more pessimistic, up from 49 percent in the third quarter.

Themes of Human Resources and Talent highlight trends for the fourth quarter 2018 Supplier Barometer survey.

Filling in the Gaps: Supplier executive responses indicate that 58% of suppliers have moderate to wide gaps between their current roles and responsibilities versus skills, yet 97% executives were willing to embrace change needed to reduce skills gaps. Furthermore, 54% of responses reflect suppliers face moderate to wide gaps between current and expected company culture, while 91% are willing to take steps to close cultural gaps. Firms are focusing on expanding training efforts to offset skills gaps, while re-evaluating current policies and enhancing flexibility to foster engagement and reduce gaps in company culture.

Managing Turnover and Scarce Candidates: Regional voluntary turnover rates are extremely high throughout North America. Nearly a quarter of suppliers in the U.S. indicate they have turnover rates over 7.5% for salaried workers while nearly half indicate the same turnover rate for hourly workers. Canada and Mexico also face increasingly competitive labor markets where over a third of suppliers report turnover rates above 7.5% for both salaried and hourly workers. On net, supplier executives anticipate that their growth in employment will lag the pace of sales gains in the U.S., Canada, Europe and South America. Most suppliers indicate that both white and blue-collar technical positions are the most difficult to fill. Engineering positions are the most challenging to fill in the U.S., specifically mechanical and industrial engineers. Supplier executives point to a lack of qualified candidates and competition from other industries as the main factors contributing to the talent shortage.



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Rising to the Challenge: Despite widespread shortages of qualified candidates, suppliers are maintaining their hiring standards across salaried and hourly employees. More have opted to redefine job roles to suit available skill sets, leveraging existing talent to cope with bringing in less experienced workers. The industry is striving to attract younger workers with greater emphasis on flexibility, in terms of schedule and workspace while adding scope via cross-functional job rotation. Career and succession planning are a strategic business priority, followed closely by leadership and training as suppliers strive to retain and engage current employees.

A fully copy of the Q4 OESA Automotive Supplier Barometer results and the Sentiment Index chart are available on the OESA website at:

<https://www.oesa.org/automotive-supplier-barometer/oesa-automotive-supplier-barometer-studies>

About the OESA Automotive Supplier Barometer:

The OESA Automotive Supplier Barometer captures the pulse and analyzes the twelve-month business sentiments of top executives in the supplier industry. It is a quarterly snapshot of their concerns on commercial issues, the business environment and strategies that influence the supplier industry. This Barometer is distributed to vehicle manufacturers, financial institutions, governmental officials and the media to provide an on-going profile of the trends in the supplier industry.

About OESA

Launched in August 1998 at MBS, the [Original Equipment Suppliers Association](http://www.oesa.org)'s mission is to champion the business interests of automotive original equipment (OE) suppliers. Since 1998, the Association has been addressing issues of common concern and advocating on behalf of the supplier community throughout the supply chain and in Washington, D.C.

OESA is one of four divisions of the Motor & Equipment Manufacturers Association (MEMA). All divisions are represented by MEMA's advocacy and emerging technology expertise. For additional information, visit <http://www.oesa.org>.

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